

Monthly Wool Market Overview

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Wool news for October 2016

SA Merino indicator for Oct 2016

First sale: 14753c/kg
Final sale: 15220c/kg
Movement: 3,2%
Rand/US\$ at last sale: R13,75

SA Merino indicator for Oct 2015

First sale: 12276c/kg
Last sale: 12976c/kg
Movement: 5,7%
Rand/US\$ at last sale: R 13,64

Australian Indicator for Oct 2016

First sale: 1300/kg
Final sale: 1331/kg
Movement: 2,4%

Indicator for season 2016/17

Movement since opening: 3,7%
Seasonal low: 14509c/kg
Seasonal high: 15584c/kg
Average to date: 15123/kg
Average in 2015/16: 12556/kg

Market outlook for wool is positive

The wool market has been holding up well over the past few months despite currency fluctuations and the Cape Wools Merino Indicator is still trading well above last season's levels (see **graph 1**).

In Australia the Eastern Market Indicator has been increasing from its higher levels (see **graph 2**) and the outlook for the coming months is positive.

The Australian Bureau of Agricultural and Resource Economics and Sciences (Abares) is forecasting a 4% increase in prices for this season (see **p 2**).

The forecast lower growth in wool production is one of the factors expected to support this increase in prices.

The downside, however, is that at current price levels the price competitiveness of wool relative to that of competing fibres has declined.

This follows the lower oil price since

2014, which has resulted in a drop in the price of man-made fibres. Cotton is also cheaper due to an oversupply of the fibre over the past months.

According to some reports there are murmurs that wool prices are too high. The fact is that wool's special qualities makes it more suitable for use in high-end and speciality garments.

Sportswear manufacturer Adidas, for example, is currently marketing a premium 100 per cent Merino tracksuit for around \$300 dollars.

Another example is the UK-based company that manufactures next-to-skin, superfine Merino wool protective clothing that is being snapped up by firefighters and special forces.

The company has also clinched deals with the US and Russian space agencies to supply specialist clothing to them.

Wool shipments to top 10 export destinations for July to Sept 2016

Country	Greasy		Scoured		Top & Noils		Total ¹⁾ R	% of total FOB ²⁾ value
	R	Kg	R	Kg	R	Kg		
China/HK/Macau	296 523 823	3 168 865	9 458 415	60 653	0	0	305 982 238	63,6
Czech Republic	25 925 980	257 089	0	0	0	0	25 925 980	5,4
Italy	28 133 571	264 430	16 045 729	117 628	45 412 147	277 437	89 591 447	18,6
India	15 052 352	133 893	0	0	0	0	15 052 352	3,1
Germany	0	0	9 980 024	73 763	10 641 519	71 201	20 621 543	4,3
France	0	0	0	0	8 843 332	49 068	8 843 332	1,8
Egypt	3 591 959	31 447	0	0	0	0	3 591 959	0,7
USA	0	0	265 653	1 933	3 027 922	13 961	3 293 575	0,7
Mexico	0	0	1 854 573	10 352	0	0	1 854 573	0,4
Mauritius	0	0	0	0	3 340 383	20 020	3 340 383	0,7

¹⁾ Total Rand value includes value of waste exported.

²⁾ FOB = free on board

Full export report (Shipments) available at www.capewools.co.za

Accumulative results up to 19 October 2016

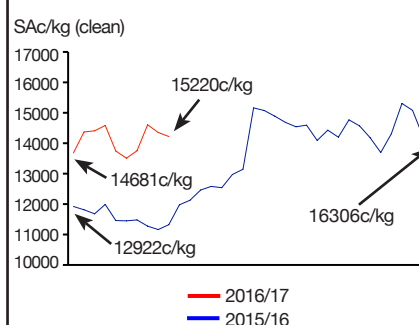
Wool receipts (kg greasy):

2016/17: 15 618 326.2
2015/16: 16 237 790.4
Change: -3,8

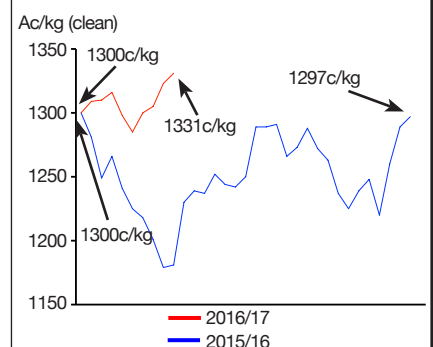
Offerings at auction (bales)

Season	Merino	Other	Total bales	Total kg
2016/17:	60 254	16 445	76 699	11 606 082,6
2015/16:	57 185	13 536	70 721	10 717 907,0
Change:	5,4	21,5	8,5	8,3

Graph 1: Cape Wools' Merino indicator on 26 October 2016



Graph 2: Australian Eastern Market Indicator on 26 October 2016





Abares forecasts an increase in wool prices this season

Wool prices are forecast to increase by four per cent in 2016/17, according to the latest commodity report issued by the Australian Bureau of Agricultural and Resource Economics and Sciences (Abares).

Abares says moderate economic growth in the major wool-consuming economies of the United States and China is expected to result in modest increases in consumer incomes and demand for woollen apparel.

"The improvement in global demand, set against forecast lower global wool production, is expected to support a moderate increase in world wool prices for the year."

Global wool production is not expected to increase this season. The extended dry conditions in 2015/16 resulted in Australia's national flock declining by an estimated four per cent to 68,4 million head.

Australian shorn wool production is forecast to remain largely unchanged at around 325 mkg. Although sheep numbers are lower, the average fleece weights are forecast to improve to 4,5 kg a head this season due to improved seasonal conditions and widespread rainfall across the main sheep-producing regions of southern Australia.

As a result of these influences, Abares is forecasting the national flock to grow by almost five per cent to around 71,5 million head by the end of June 2017.

According to Abares low oil prices since 2014 have driven the price of synthetics lower relative to wool.

Between July 2015 and May 2016, the ratio of the 21 micron wool price to the polyester staple fibre price increased by 20 per cent to 9,8 to 1, indicating that the price competitiveness of wool had declined.

Petroleum oil is a feedstock in the production of synthetic fibres, and as a result the price of synthetics is largely determined by the price of oil.

Cotton's competitiveness has also increased. Over the same period, the ratio of the 21 micron wool price to the Cotlook 'A' price increased by 23 per cent to 10,2 to 1.

"This suggests that the use of wool in clothing and textiles manufacture is likely to decline in favour of synthetics".

With global oil prices assumed to remain low in the short term, the price-competitiveness of wool in global textile manufacturing appears unlikely to improve significantly in the coming year, Abares says in its report.

Hundreds of sheep in Madrid's streets

Every year at the end of October thousands of sheep are herded through the streets of Madrid in the city's annual transhumance festival.

The Fiesta de la Transhumancia is a celebration that has been marked since the Middle Ages to celebrate the seasonal movement of people with their livestock between fixed summer and winter pastures.

During this festival herders bring some of their flock through the city.

The sheep are taken from the door of the King, through the city, ending at the Cibeles Palace.

The festival is a key part of the city's effort to maintain the ancient routes and has become a major tourist attraction in Madrid.

Source and picture: MailOnline



Superfine wool clothing snapped up by special forces

A British company has developed superfine wool clothing that has been snapped up by the Ministry of Defence for Special Air Service (SAS) soldiers battling on the front line.

Derbyshire based Armadillo Merino Designs manufactures next-to-skin protective clothing for astronauts, firefighters and special forces.

The company was founded by New Zealander Andy Caughey, 53, and spins wool into a specialist fine yarn.

The resulting super-tough fabric has some astonishing properties. It does not melt onto the skin like the synthetic materials usually worn by members of the armed forces during combat. As a natural fabric it does not release chemicals that are absorbed into the skin.

It also does not trap odours, meaning it can be worn for a week in extreme conditions without becoming smelly; and it manages moisture levels by dragging sweat away from the skin, making it perfect for athletes.

Armadillo Merino has recently won contracts to supply the SAS, Italian special forces, US police SWAT teams and NASA.

It also manufactures a range of naturally flame resistant tops and leggings that

are ideal for professionals operating in extreme weather or environments where there is the risk of fire or burns.

Mr Caughey, who grew up on a sheep farm, began developing the specialist fabric after hearing how synthetic materials worn by soldiers combust when exposed to bullets, shrapnel and fire - causing severe burns and leaving military personnel needing operations to remove the melted and dripping fabric from their flesh.

He said that while synthetic materials melted at 160° celcius, Merino wool is flame resistant to 600° celcius.

"I was living in the United States when I saw what improvised explosive devices were doing to soldiers. The heat of the explosions were melting the synthetic materials and causing unnecessary and extremely painful injuries as the material melted and dripped on to their skin.

"On top of that synthetic materials release chemicals on to your skin as you sweat, which then

Derbyshire based Armadillo Merino designs and manufactures of next-to-skin protective clothing for astronauts, firefighters and special forces, including SAS soldiers.

absorbs these toxins right into your body.

"I just thought, this is not right. We should be helping these people who are sacrificing their lives on the front line."

NASA astronauts and Russian cosmonauts in 2014 began wearing Armadillo's Merino specialist T-shirts and the company clinched three contracts with the space agency to supply the specialist clothing.

Source: MailOnline

